

# INSURANCE MARKET IN POLAND, 2017–2019

## CEE INSURANCE SERIES



by Inteliace Research  
June 2017

# Summary

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- Poland has the largest insurance sector in the CEE with nearly € 13 billion in premium written p.a. and a 40 % regional GWP share.
- After overcoming the recent stagnation, total insurance premium in Poland is expected to increase at ~7% p.a. through 2019.
- The non-life insurance segment is likely to continue the fast growth driven by increasing tariffs and a higher number of contracts. Also the improving situation of enterprises is expected to fuel more demand for specialized insurance products in the corporate sector including property insurance.
- A rebound in new premium is expected to take place in the life business, after a tighter regulatory regime is fully implemented in 2017.
- Considering the extremely high competition among insurers and a persisting trend for higher claims, it is expected that profitability of insurers will improve only slightly in 2017-2018.



Insurance Market in Poland, 2017-2019

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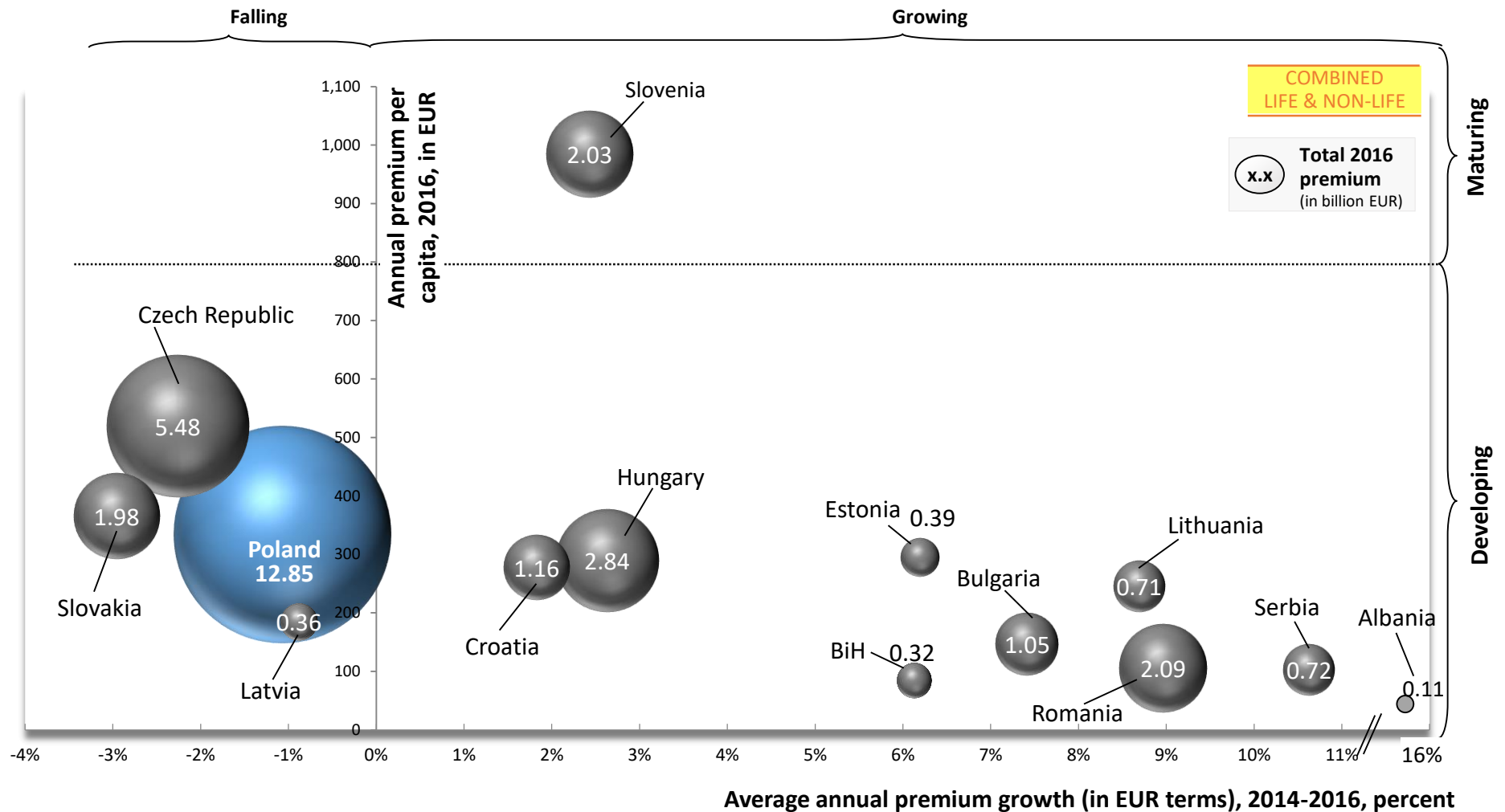
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# Poland has the largest insurance market in CEE14\*. However, it has been shrinking recently

CEE14\* insurance markets - Size vs. growth matrix, 2014-2016

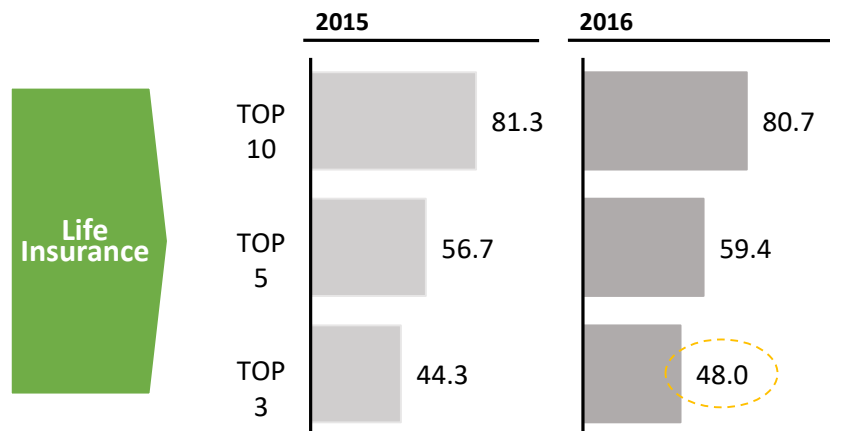


\*Major 14 CEE countries. Russia, Ukraine, Belarus and FYR Macedonia not included

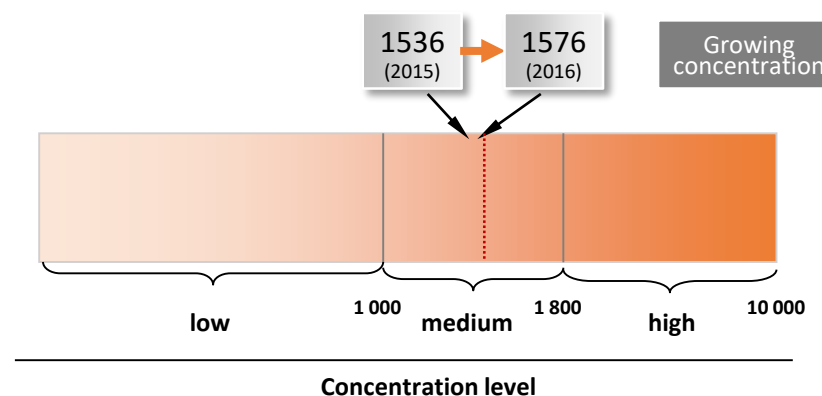
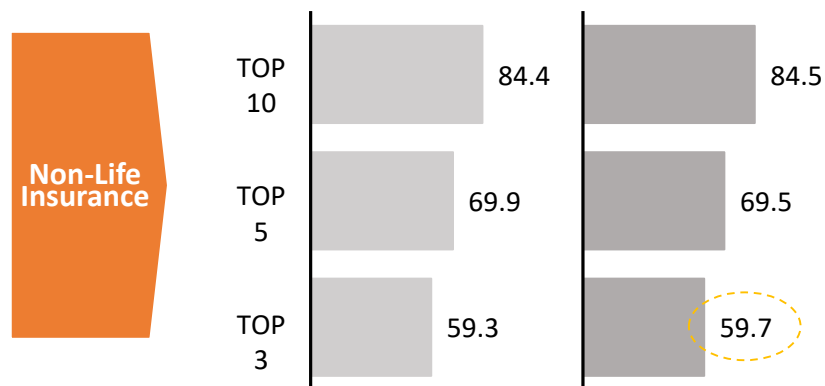
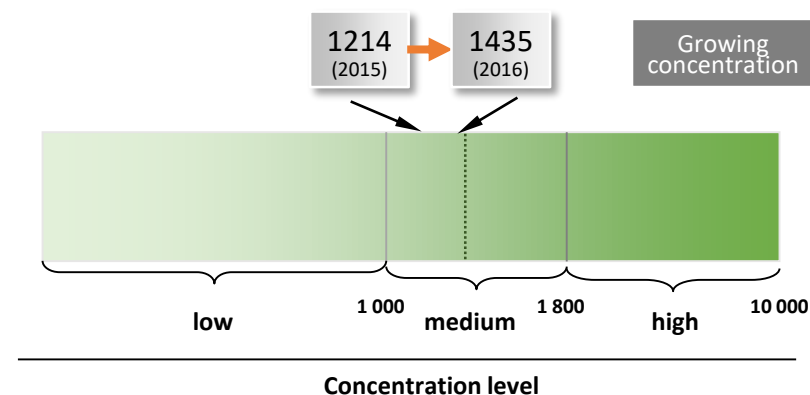
Source: National supervision authorities, IMF, Inteliace Research

# Concentration ratios increased again in 2016, both in the life and non-life insurance segment

Share of top insurers by GWP  
percent



Herfindahl-Hirschman\* Index, 2015-2016  
GWP concentration  
nonlinear scale



\*Markets in which the HHI is between 1000 and 1800 points are considered to be moderately concentrated, and those in which the HHI is in excess of 1800 points are considered to be concentrated.

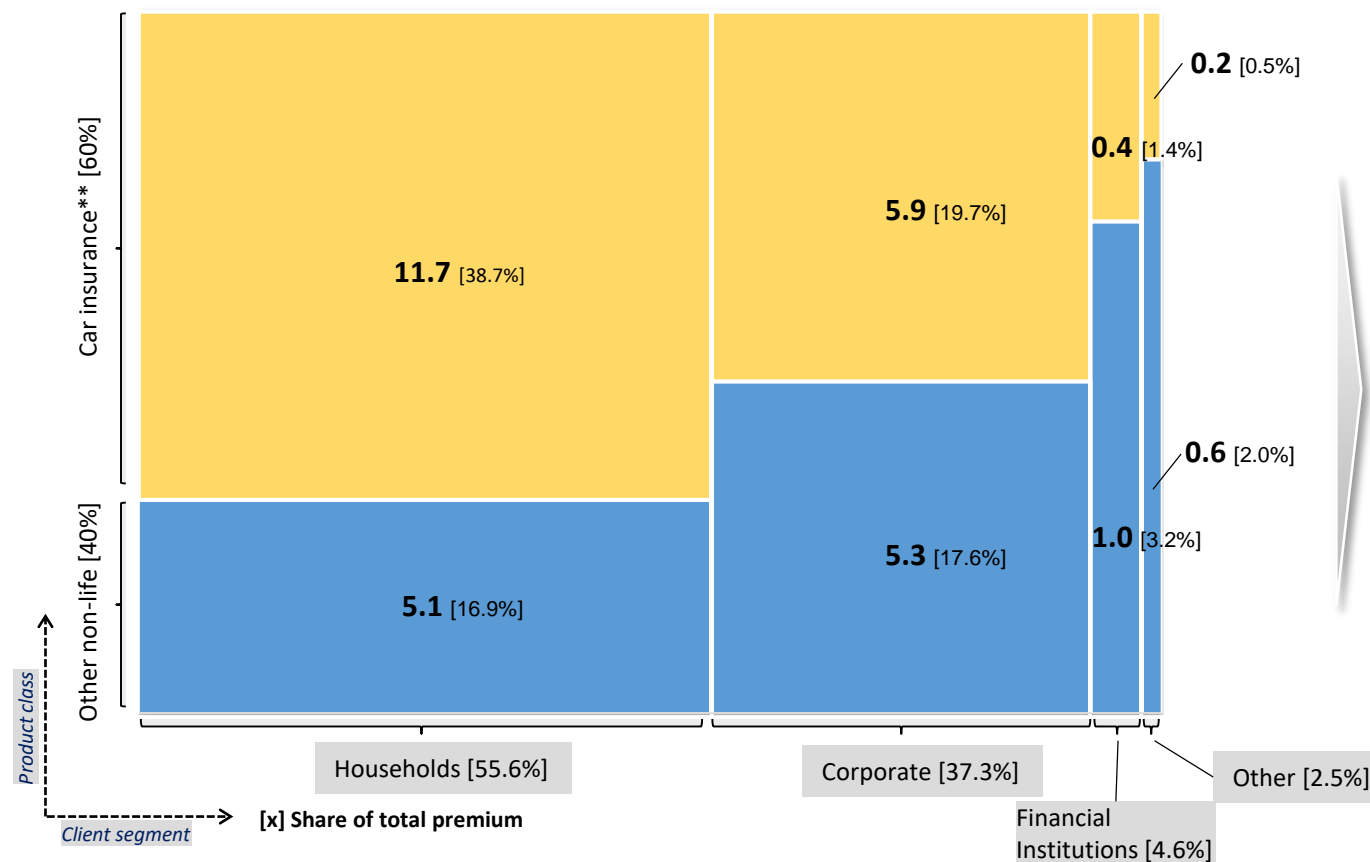
Source: KNF, Inteliace Research

# Households account for 56% of total non-life gross premium written

Premium written (ex. reinsurance)\* in non-life business by client segment and insurance class, 2016  
in PLN billion

NON-LIFE  
INSURANCE

Total GWP = PLN 30.2\* billion (as of 2016)



- Households account for over 56% of total non-life GWP while corporate sector accounts for 37% of premium.
- Nearly 70% of retail GWP comes from car insurance.

\* Premium in direct business only (działalność bezpośrednia), Excluding premium ceded to re-insurers

\*\* Casco & TPL

Source: KNF, Inteliace Research



# Non-life insurance player profiles: PZU



## Key facts

- Company name:** Powszechny Zakład Ubezpieczeń S.A.
- HQ:** al. Jana Pawła II 24, 00-133 Warszawa
- CEO:** Mr. Paweł Surówka
- Major shareholders:** 34% Poland's Treasury, 5% Aviva
- Key Subsidiaries:** Life Insurance, Direct insurance, Pension, Fund management, Asset Management, Health care, Assistance; Subsidiaries present also in Baltic States & in Ukraine

## Overview

- PZU is the largest traditional and local incumbent insurer with extremely high brand awareness (89%)
- PZU's dominant position in the insurance market has been eroding over time until 2014 when the company revised its strategy and started to grow again.
- Apart of Poland, PZU holds a leading position in Baltic states through local subsidiaries

## History

- 1991: State-owned insurer PZU converted to public joint-stock company.
- 1999: Partial privatization of PZU holding – 30% share in PZU SA sold to Eureko & Big Bank Gdański.
- 2003: Claims handling centralization.
- 2004: Launch of repair-shops network.
- 2010: IPO on the WSE.
- 2010/2011 Cost /employment restructuring.
- 2012 New Strategy: „PZU 2.0” adopted.
- 2012/2013 Entry into Latvia & Estonia.
- 2014 Acquisition of insurance businesses of RSA in Baltics and in Poland (Link4).
- 2014 Direct claims processing introduced.
- 2015 Stake in Alior bank acquired.
- 2016/2017 PZU together with PFR buys a minority stake in Bank Pekao- the 2nd largest bank in Poland

## Products

- PZU offers ~80 various products in the non-life retail business. Products offered cover all 18 non-life insurance classes.
- Car insurance (MTPL+Casco) is dominating within non-life business with >62% share in the total GWP.
- Discount insurance offer provided by subsidiary LINK4 – a formerly direct insurer
- „PZU Pomoc” – proprietary assistance service company rounding up the traditional product offer.

## Channels

- Own network: In total 414 branches, of which 190 in a new „modern” format
- Exclusive agents: 8.8 k of which ~6 k in non-life.
- Multi-agents: 3.2k agents (all business lines).
- 1.8k cooperating medical service outlets
- Brokers: 1.1k brokers
- Employees: 800 employees dedicated to sales - mainly in the corporate segment.
- Bancassurance: cooperation with 15 banks and 17 strategic partners including telecoms and airlines.
- Cooperation with ~ 1.4 thousand repair shops.

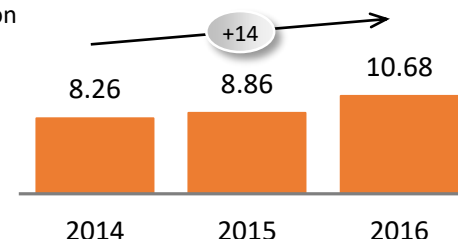
## Customers

- PZU traditionally serves mass-market clients in retail business (mostly car and property) and all segments in corporate business.
- Total number of clients in the whole PZU Group (life + nonlife) exceeds 16 million of which 11 million use life insurance.
- Over 1.3 million clients covered with health insurance

## Financials

### Gross Premium Written

PLN billion

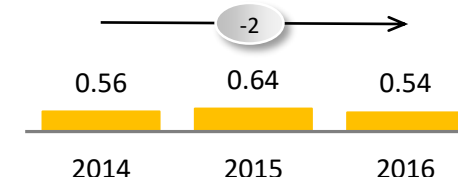


Market share\* (percent)



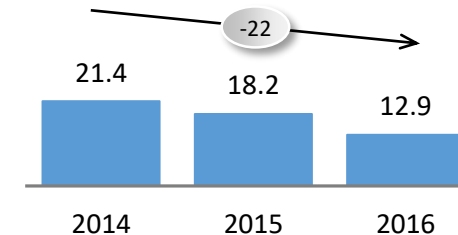
### Technical result

PLN billion



### Return on Average Equity (ROAE)

Percent



\*Non-life insurance share by gross premium written

\*\*Compound Annual Growth Rate

Source: Company, Press, Inteliace Research

Falling profitability despite higher premium collection

## FX rates:

- For the purpose of conversion from local currency (PLN) into EUR for most values presented in this report, including premium written, annual results, etc., **average** exchange rates have been used
- Exchange rates used in the report:

EUR / PLN	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Average	4.03	3.90	3.78	3.52	4.33	3.96	4.42	4.09	4.15	4.26	4.26	4.42
End of period	3.86	3.83	3.58	4.17	4.11	3.99	4.12	4.19	4.20	4.19	4.18	4.36

## Estimates and Forecasts:

- In some cases, recent or verified data was not available. Therefore, necessary short-term estimates have been calculated to fill the gaps. Estimates are always indicated with the letter “E”
- When preparing forecasts/estimates, we have built models using latest observed trends, available forecasts of main economic indicators, seasonal changes observed in the past and other specific factors considered important.

## Multiple sources:

- In some cases, multiple sources of similar data exist. In this situation we always try to select the most appropriate one in our view. The source is indicated in the footer area of each slide. Nevertheless, in specific cases, before interpreting the data, it is recommended to get a good understanding on the methodology of data collection.

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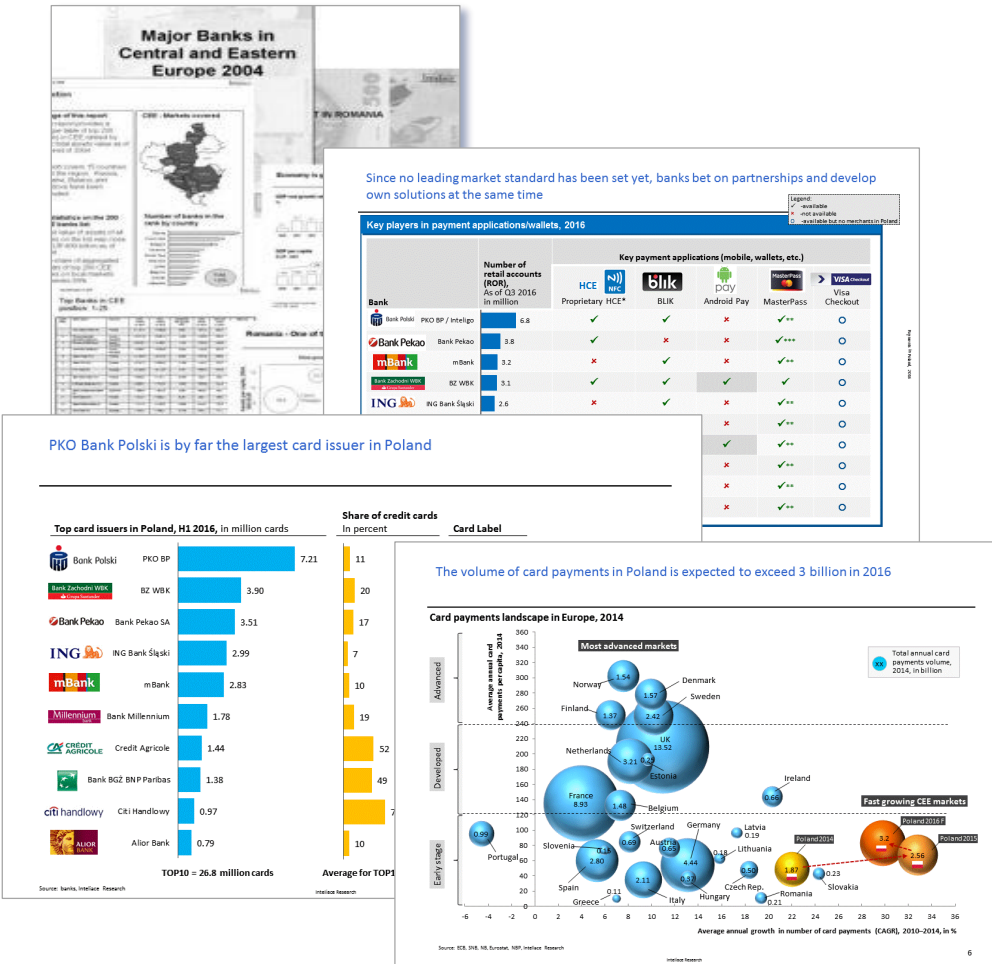
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